HAI-O ENTERPRISE BHD.

v.

NGUANG CHAN

HIGH COURT MALAYA, SHAH ALAM
MAHADEV SHANKAR J
[ORIGINATING SUMMONS NO. 24-231-1990]
7 FEBRUARY 1992

TRADEMARKS: *Manufacturer owner of common law trademark in People's Republic of China (PRC) - Malaysian importer of Chinese product - Importer registering trademark in own name - Ex parte application for Trade Description Order - Action by enforcement division - Seizure of goods of third parties for alleged infringement - Application for expunction of mark by 3rd party - Whether trademark wrongly registered in name of importer - Whether mark conclusive having been on register for seven years - Definition of fraud under s. 37(a) Trade Mark Act 1976 - Whether product sold within class of goods of registration - Whether non-registration in correct class resulted in non-user of mark - Parallel importers - Whether Chinese manufacturer should be substituted - Trade Marks Act 1976 ss. 3, 7, 12, 14, 25, 35, 37, 38, 40(1)(d), 45, 46; Trade Marks Regulations 1983 Regulation 5, 18, Forms, Third Schedule; Trade Descriptions Act 1972 s. 16(1).*

Hai-O Sdn. Bhd. (Hai-O), entered into a sole agency agreement with a manufacturer in the People's Republic of China (PRC) in 1976 for the sale of a particular brand of medicated wine in Malaysia. The Chinese manufacturer was the proprietor of the trade mark on the product. Hai-O sold this product in Malaysia till 1981. Other brands of medicated wine by the same manufacturer were being sold by the same Chinese manufacturer through other importers in Malaysia.

In 1981 Hai-O registered themselves in Malaysia as the proprietors of the trade mark. They registered the trade mark in Class 33 of the third schedule of the Trade Marks Regulations 1983 under the heading "Wines Spirits and Liquors". Medicated wine came within Class 5 of the third schedule as a pharmaceutical product. Hai-O did not effect a separate registration under Class 5. Thereafter Hai-O imported and sold substantial quantities of their product in the Malaysian market, incurring substantial expenditure for promotion and sales and making good profits.

In 1990 the defendant imported the same product from a trader in Hong Kong who in turn had purchased the product from the same Chinese principals who had supplied Hai-O.

When the defendant commenced sales in Malaysia, Hai-O applied to Court under s. 16(1) of the Trade Description Act 1972 and obtained a Trade Description Order. This order was enforced against Nguang Chan who intervened in these proceedings and was made defendant. Nguang Chan applied *inter alia* for the expunction of the said mark and for consequential relief. The Chinese entity who had recently supplied the product to Hai-O intervened also, were made co-plaintiff, and applied for rectification of the register by substituting themselves as registered proprietor in place of Hai-O.

Held:

[1] A foreign manufacturer who places his trade mark upon his product which he intends to export for sale into Malaysia is the proprietor of that mark: *Estex Clothing Manufacturers Pty. Ltd. v. Ellis & Goldstein Ltd.* followed.

[2] An importer of such goods, notwithstanding the acquisition of a commercial reputation therefore, does not acquire any proprietory rights over a manufacturer's mark merely by being a conduit from manufacturer to ultimate consumer: *Riv-Oland Marble Company (Vic) Pty. Ltd. v. Settef P.A.* referred.

[3] Such an importer who registers himself as the proprietor of the manufacturer's mark, even where he does so with the knowledge of the manufacturer, must be treated as having been wrongly registered: *Re Apollinaris Company's Trade Marks* applied. *Re Diehl K.G. Application* not followed. *North Shore Toy Company Ltd. v. Charles L. Stevenson Ltd.*; *In the matter of Registered Trade Mark "Certina"*; *Thunderbird Products Corpn. v. Thunderbird Marine Products Pty. Ltd.* and *Tai Muk Kwai & Ors. v. Luen Hup Medical Company* also referred to.

[4] To become a proprietor of a trade mark, so as to be regarded as a true importer's mark, the importer must activate a qualitative change in the mark so as to dissociate any connotation that mark may have with the manufacturer, so that in the minds of the Malaysian public it is associated exclusively with the importer alone: *Bayer Pharma Pty. Ltd. v. Farbenfabriken Bayer AG*; *Moorgate Tobacco v. Phillip Morris*; *Aristoc Ltd. v. Rysta Ltd.*; *Karo Step Trade Mark*, referred to.

[5] A Malaysian trader who is not an importing agent of a foreign manufacturer, may register himself as proprietor of a mark which may so closely resemble the foreigner's mark, provided only he can show that the foreigner's mark has never been used or intended to be used here: *Aston v. Harley Manufacturing Company* ; *(DARIO) Impex Electrical v. Weinbaum*; *Yanx*; *Obermeier*, referred to.

[6] A written consent by a foreign manufacturer to a local importer to register his trade mark locally cannot be treated as an assignment unless the goodwill of the business of the manufacturer is also assigned: *Pinto v. Badman* referred.

[7] The registration, even if with the consent or knowledge of the foreign manufacturer, by a local importer of himself as proprietor of the foreign manufacturer's mark where his role is that of an importer *simpliciter*, will be regarded as having been obtained by fraud on the Registrar and the Malaysian public: *Thunderbird*; *The Seven-Up Co.*; *Gynomin*; *Farley (Aust) Pty. Ltd. v. J.R. Alexander & Sons (QId) Pty. Ltd.*; *Pinto v. Badman* referred to.

[8] An applicant should not generally be permitted to register a mark unless he can claim to have the exclusive right to use that mark. The public should not be left in doubt as to whether two products carrying the same mark come from the same source: *Bali Trade Mark*; *R.H. Macy & Co. Inc. v. Trade Accents; G.E.C. v. The G.E. Co. Ltd.* referred to.

[9] Where a trade-mark has not been used on goods in respect of which that mark has been registered it can only be protected under s. 46(2) of the Trade Marks Act 1976 ("the Act") by the sale of goods of the same description which fell in another class, provided the trade-mark has also been registered in that other class: *Atlas Trade Mark* [l979] RPC 59 referred.

[10] The rectification of the register under s. 45 or expunction of a mark under s. 46 are discretionary remedies. Rectification will not be ordered if it will result in defeating prior accrued rights of third parties. Expunction is the usual remedy in such a case: *Zoppas*; *The Australian Wine Co. Ltd.*; *Imagic Inc. v. Futuretronics (Aust) Pty. Ltd.* referred.

[11] Unless the person locally registered as proprietor of a Malaysian trade mark can show that he was correctly registered he cannot claim that the trade mark on the products he imports and sells here have been infringed by the importation and sale of parallel imports by others

from the true owners of the same trade mark: *Colgate-Palmolive*; *Castrol*; *Atari Inc.*; *Revlon Inc.*; *Champagne Hiedseck* and *Winthrop Products Inc.* referred.

[12] Everything else being equal, substitution of a foreign manufacturer will not be made in place of a local applicant unless there is clear and unequivocal proof that the foreign claimant is the true owner of the mark, and no valid objections can be taken.

[13] In the present case the mark should be expunged and the defendant be given the consequential relief he seeks.

[Trade Description Order quashed and removed from the Register. Applicant's trade mark expunged from Register. Damages granted to respondent.]

[**Editorial Note:** The headnote for the case was written by his Lordship Dato Mahadev Shankar J]

Cases referred to:

Re the Apollinaris Company's Trade Marks [1891] 65 LT 6; [1891] 8 RPC 137 ***(foll)***
Re Diehl K.G.'s Application [1969] 3 All ER 338 ***(not foll)***
Estex Clothing Manufacturers Pty. Ltd. v. Ellis & Goldstein Ltd. [1966] 116 CLR 254 ***(refd)***
Champagne Hiedseck et cie v. Buxton [1930] 47 RPC 28 ***(refd)***
Riv-Oland Marble Company (Vic) Pty. Ltd. v. Settef PA [1988] AIPC 90-577 ***(refd)***
North Shore Toy Company Ltd. v. Charles L. Stevenson Ltd. [1974] RPC 545 ***(refd)***
"Thunderbird" Products Corpn. v. Thunderbird Marine Products Pty. Ltd. [1974] 48 ALJR 456; [1974] 131 CLR 592 ***(refd)***
In the Matter of Registered Trade Marks "Certina" and "Certina" DS [1970] 44 ALJR 191 ***(refd)***
Tai Muk Kwai & Ors. v. Luen Hup Medical Co. [1988] 3 MLJ 69 ***(refd)***
Bayer Pharma Pty. Ltd. v. Farben Fabriken Bayer A.G. [1965] 120 CLR 285 ***(refd)***
Moorgate Tobacco v. Philip Morris [1984] AIPC 90-141 ***(refd)***
Aristoc Ltd. v. Rysta Ltd. [1945] 65 RPC 65 ***(refd)***
Karo Step [1977] RPC 255 (refd)
Inescourt's Trade Mark (Le Vampire) [1929] 46 RPC 13 ***(refd)***
Aston v. Harlee Manufacturing Co. [1960] 103 CLR 391 ***(refd)***
Impex Electrical v. Weinbaum (Dario) [1927] 44 RPC 405 ***(refd)***
Re the Registered Trade Mark "Yanx" [1951] 82 CLR 199 ***(refd)***
Obermeier - Warschauer's Application [1925] 43 RPC 46 ***(refd)***
Pinto v. Badman [1891] 8 RPC 181 ***(refd)***
The Seven Up Company v. O.T. Ltd. & Anor. [1947] 75 CLR 203 ***(refd)***
Gynomin [1961] RPC 408 ***(refd)***
National Bell Co. v. Metal Goods Manufacturing Co. (P) Ltd. [1971] 1 SCR 70 ***(refd)***
Bentley v. Lagonda [1947] 64 RPC 33 ***(refd)***
Farley (Aust) Pty. Ltd. v. J.R. Alexander & Sons (Old) Pty. Ltd. [1946] 75 CLR 487 ***(refd)***
"Bali" Trade Mark [1969] RPC 472 ***(refd)***
GEC v. The G.E. Co. Ltd. [1972] 2 All ER 507 ***(refd)***
Atlas Trade Mark [1979] RPC 59 ***(refd)***
"Zoppas" Trade Mark [1965] RPC 381 ***(refd)***
Re The Australian Wine Company Ltd. [1889] 61 LTNS 427 ***(refd)***
Imagic Inc. v. Futuretronics (Aust) Pty. Ltd. [1983] 51 ALR 122 ***(refd)***
Colgate-Palmolive Ltd. & Anor v. Markwell Finance Ltd. & Anor [1989] RPC 497 ***(refd)***
Castrol Ltd. v. Automotive Oil Supplied Ltd. [1983] RPC 315 ***(refd)***
Atari Inc. v. Dick Smith Electronics Pty. Ltd. [1980] 33 ALR 20 ***(refd)***
Revlon Inc. & Ors. v. Cripps & Lee Ltd. & Ors. [1980] FSR 85 ***(refd)***

Legislation referred to:

Evidence Act 1950, s. 4(3)
Trade Description Act 1972, ss. 16(1), (4)

Trade Marks Act 1976, ss. 3, 7, 12(1), 14, (a), 23, 25(2), 30(1), 35(1), 37, (a), (b), (c), 38, 40(1), 22(d), 45, 46, (1)(a), (b), (2)
Trade Marks Regulation 1983, regs. 5, 18, Third Schedule.

Other sources referred to:
Manual of Trade Mark Law and Practice in Malaysia, (WIPO) 1989 Edn.
Law of Trade Marks and Trade Names, Kerly, 12th Edn., para. 2-15(3)
Australian Law of Trade Marks and Passing Off, D.R. Shanahan, 2nd Edn., pp. 25 & 26
Australian Industrial & Intellectual Property, CCH Austrlian Ltd. (AIIP)
The Law of Passing Off, Christopher Wadlow, pp. 88 & 89

For the plaintiff - Y.M. Siew, (K.L. Low & Zahrin Ishak with him); M/s. Soo Thien Ming & Shahrizat
For the defendant/respondent/intervener - S.F. Wong; M/s. Shearn Delamore & Co.

JUDGMENT

Mahadev Shankar J:

Hai-O Enterprise Bhd. (Hai-O), claims to have the sole right not only to import from the People's Republic of China (PRC) but also to market in Malaysia a medicated liquor described as Ling Zhi Medicated Liquor (LZML) LZML is sold under a trade mark (the said mark). The said mark consists of two concentric circles. In the inner circle is a pictorial device depicting a pagoda and a bridge. Between the inner circle and the outer circle are the words "Zhan Qiao Pai" in Roman script and in Chinese characters. Hai-O registered itself as the proprietor of the said mark in Malaysia on 13 February 1981. The said mark was renewed for a further period of 14 years from 13 February 1988.

In July 1990 Hai-O applied for a Trade Description Order to restrain alleged infringements of the said mark. Mr. Chin Chin Seng (Chin) a director of Hai-O averred that an imitation LZML under the said mark, was being sold in Malaysia without Hai-O's consent or authority by three companies, one in Penang, another in Malacca and a third Nguang Chan Liquor Trader (hereafter referred to as NC) in Kuala Lumpur.

This application was made *ex parte* under a certificate of urgency. The alleged infringing activities were said to have caused and to continue to cause irreparable harm and injury to the reputation and goodwill of the said mark in Malaysia. On the strength of the assertions of Counsel for Hai-O and on the basis that the supporting affidavit of Mr. Chin were made in good faith I granted the order *ex parte* on 8 August 1990. In the summons-in-chambers and when the order was extracted it was not noticed that the Chinese characters set out in the order to complete the description of the said mark were not the Chinese characters for Zhan Qiao Pai but the characters for Ling Zhi medicated liquor. This error was corrected under the slip rule only on 10 September 1990.

Meanwhile on 29 August 1990 Hai-O with the assistance of the enforcement division of the Federal Trade and Industry Ministry raided several liquor outlets and seized the allegedly offending articles. NC was one of the outlets which were raided.

On 30 August Mr. Chin made press statements which were carried in the Malaysian Chinese Press to the effect that, the offending articles seized were an inferior product which was allegedly smuggled into the country. The *Malay Mail* also carried a similar article adding that the inferior wine had been sent to the Chemistry Department for analysis. On 24 September there was a second raid.

NC reacted. They took legal advice. On 9 October 1990 they sent a desist letter to Hai-O

and required them to retract and publicly apologise within fourteen days or face legal proceedings for damages and other relief.

Hai-O did not. When the ultimatum expired NC filed an application on 25 October 1990 for the following orders:

(1) that they be permitted to intervene;

(2) that the Trade Description Order (the TDO) of 8 August be set aside;

(3) that TDO be quashed and removed from the Register of Trade Description Orders as provided by s. 16(4) of the Trade Descriptions Act 1972;

(4) that the mark be expunged and deleted from the Register of Trade Marks as provided by The Trade Marks Act 1976 (TMA);

(5) Damages to be assessed by the Senior Assistant Registrar.

(6) Costs.

Hai-O's suppliers in the PRC were the manufacturers of LZML. They have been described by a variety of names and addresses in these proceedings. For the time being they are referred to as "the Chinese".

On 25 November 1990 the Chinese applied to intervene in these proceedings so as to be able to be apply for such relief as was just and proper. An order was made by consent on 10 May 1991 that they be allowed to intervene and be added as a co-plaintiffs subject firstly to the reservation of the right of NC to contend that the Chinese had no *locus standi* in this matter, had no right to any relief and secondly to their providing security for costs, which they have since done.

Voluminous affidavits have been filed by all parties concerned. However there has been no cross-examination of any of the deponents. Consequently I have wherever possible taken all the deponents at face value. This is a very complex matter. The outcome will undoubtedly have a critical influence not only on the proper interpretation to be placed on various sections of the Malaysian trade marks legislation but also on the manner in which Malaysian traders should conduct themselves with their counterparts in the PRC. The facts now therefore follow in some detail.

In 1976 Hai-O was known as Hai-O Enterprise Sdn. Bhd. On 1 December 1976 somebody who is described therein as its managing director negotiated a sole agency agreement with the China National Native Produce and Animal By-Products Import and Export Corporation, Shandong Nature Produce Branch. This agreement was in respect of 500 cartons of Special Quality Ling Zhi Wine, and 100 cartons of Ling Zhi Wine respectively. The agreement was specifically from 21 November 1976 till 21 May 1977 only. The goods were to be shipped from the port of Quingdao to Port Kelang. The agreement provided for advertisements to be made at the cost of Hai-O, but the terms of the advertising to be subject to the prior approval of the Chinese. Hai-O was required to give detailed reports to the Chinese about consumer reaction. The Chinese were not to deal with others in Malaysia.

This sole agency agreement is not on the Chinese letterhead. The photocopy supplied does not even appear to be signed by the Chinese. There is no written evidence to show it was renewed. (Encl. 15 Exh. CCS3-E.15/Exh. 3).

Hai-O has produced a photocopy of another document referring to a Certificate of Registration of Business No. 132121 Trade Mark Zhan Qiao Pai, Cop Zhan Qiao Pai. The document is undated. It bears no seal or signature of any public office or officer. Another document has been produced to say that China National Nature Produce and Animal By-Products Import & Export Corporation Shandong Nature Produce Branch ("Chinese Entity One") is dealing with Class 31 Chinese Patent Medicine, medicated wine. It only states the year of registration as 1979. The seal is that of the head office, Department of Employment and Industry, PRC. The document states that on 30 March 1987 the name of the company was changed to China Medicines & Health Products Import & Export Corp. Shandong Branch (Chinese Entity Three). No address is given on this document.

Hai-O claims that its 1976 sole agency was verbally extended by a course of conduct between itself and the Chinese, and that it was the sole importer and seller in Malaysia of the Special Quality Ling Zhi Wine between 1976 and 13 February 1981. This is the date when Hai-O Enterprise Sdn. Bhd., registered itself as the proprietor of the said mark under the number M/89575.

It is clear that the said mark was the creation of, and in the PRC, belonged solely and exclusively to the Chinese manufacturer. Hai-O has produced a copy of a letter dated 17 June 1980 (E15/Exh. 5). It is on the letterhead of Chinese Entity One. The address is 18 Baoding Road Qingdao. It states *inter alia* that in order to ensure that the Ling Zhi Wine, produced by them is not threatened by similar products, the Chinese have accepted that Hai-O needs to register **their** trade mark "Special Quality Ling Zhi Wine" and "Zhan Qiao Pai" in Malaysia. (I have emphasised **their** because the letter in its ordinary meaning clearly shows that the Chinese considered both descriptions to be trade marks which belonged to them to the exclusion of Hai-O). The letter continued:

> If our company terminates the trading rights and sales of Hai-O the registration of the trade mark would also be automatically terminated.

This letter, however is not signed. It merely carries the Chop "Shandong Native Produce Import & Exp. Corporation" (Chinese Entity Two).

In the absence of specific evidence of Chinese corporate law and practice I have to proceed on the basis that companies differently named are different corporate entities even in the PRC. I must also act on the basis that the branch of one company is not the same thing as an independent corporation.

The letter aforesaid was accompanied with a separate letter of authority in the same format and on the same date. It stated:

> Letter of Authority:
>
> Authority is hereby given to Hai-O Enterprise Sdn. Bhd. Malaysia to register the trade mark **of our company** "Special Quality Ling Zhi Wine": and "Zhan Qiao Pai" in Malaysia.
>
> (Emphasis mine)

The official Malay translation 'kami' leaves no room for doubt that **our** was a reference to the Chinese to the exclusion of Hai-O. The automatic termination of the mark supports this view.

Two points should be noted at this stage. Ling Zhi Wine or its presumably superior sister, Special Quality Ling Zhi Wine were not the only products to which the said mark was being applied by the Chinese. Nor was it the only line of the Chinese activity. The Chinese were

also producing patent medicine. There is clear evidence that they were applying the said mark to their other lines of wine sold in Malaysia. Thus there was a bark and iron wine, a fat-reducing wine (Tanglong Jianmeijiu) and a Chan Chun wine. There is the unchallenged evidence of one Chin Shu Hong (E.12) an accounts executive that even from 1980 all three varieties aforesaid with the said mark were commonly available in most Chinese medicine shops in Malaysia, that he had been partial to the bark and iron wine which he had been consuming even before 1980, and that he had always looked to the said mark as proof of its Chinese origin and quality.

On the same day (i.e., 17 June 1980) the Chinese Entity One wrote to Hai-O, they also wrote to a trader in Malacca in connection with an order for flour. (See E. 25/Exh. A). There are some minor differences in spelling e.g. Shantung, Paoting, Tsingtao but my finding is that this was the same company, but operating from No. 16 Paoting Road, and trading in Malaysia with others than Hai-O. That correspondence continued till June 1982.

At this point I must emphasise that Hai-O only registered the said mark - simpliciter in Malaysia. They did not register any other aspect or feature of the produce, or the bottle, which was porcelain and of very distinctive shape, nor of the box which was also of quite an unusual colour or the name Special Quality Ling Zhi Wine. And they registered their mark under Class 33 i.e., for "Wines, spirits, and liquors". In the statutory application they must have described themselves as the proprietors of the mark.

That there were many people in Malaysia trading in liquor and medical products from PRC. at all material times is common ground. In 1985 they formed themselves into an association called the Malaysian Chinese Medicated Liquor and Health Products Importers Association. Hai-O was a member. Mr. Chin was in fact its assistant secretary. Tan Hai Kee, one of Hai-O's other directors was a committee member. Yee Foh & Co. Sdn. Bhd. by a Mr. Chin Pee See was also a member of the association. (See E. 19 Exh. TYK1). Their 1988-89 price list shows seven items to which the Zhan Qiao Pai mark was applied, only two of which are described as LZML.

It seems fair to assume that since 1976 Hai-O's sales of Special Quality Ling Zhi Wine was steadily increasing, and that their reputation as the importers of this wine was also growing. Indeed in 1985 their advertising expenditure alone totalled RM58,216.88. In 1986 it had increased to RM85,102.17, and in 1987 it was RM94,037.10.

But something else was also happening. Yee Foh & Co. Sdn. Bhd., instructed Shearn Delamore & Company to make an application, which they did, on 19 January 1987 on behalf of China National Nature Produce and Animal By-Products Import and Export Corporation Shanghai Nature Produce Branch (Chinese Entity Four) to apply for the registration of the Trade mark "Zhan Qiao Pai" (label) in Class 5 in Malaysia. This is the same said mark. It is to be noted that when an application is being made to register a foreign manufacturer the statutory forms required are TM1, TM2, TM5 and TM6. The proprietor of the mark is clearly designated as the foreign manufacturer but Shanghai and Shandong are in two geographical locations. The address given of this "Shanghai" Branch was 18 Paoting Road, Quindao. The address given is therefore the very same as for Chinese Entity One. It is a near certainty that this was the same corporation. Yee Foh it will be remembered were importing the bark and iron wine, the label clearly indicated it was a medicated wine. (See E9/Exh. NCH3).

Hence the application under Class 5 where the product was described as bark and iron wine and medicated samsu for medicinal purposes. This application was allotted the number 87/00222. However the solicitors did not expect that the Registry would be able to process

the application for at least one and a half years. At the time of the filing of this case it had still not been processed. It seems that the Malaysian Courts are not the only area suffering from a backlog.

Something has to be said here about classification. Malaysia adopts the International classification formulated under the Nice agreement - see the 3rd schedule to the Trade Marks Regulations 1983 and the Manual of Trade Marks Law and Practice in Malaysia (WIPO) 1989 edition paras. 9.5 to 9.8. Medicated liquor or alcohol is classified under Class 5. Whether the goods imported and sold by Hai-O are described as Special Quality Ling Zhi wine, or whether they are described as LZML the liquid was an alcoholic herbal medicinal drink. It came under Class 5 not as spirits, wines and liquors in Class 33. This was certainly the position in 1987 when the Chinese applied through Yee Foh. It was not any different in 1981. The third schedule to the Malaysian Trade Mark Regulations since its inception has used the **headings** of the International classification under the nice agreement. Medicated Wine or medicated liquor had always come under Class 5. The Trade Marks Act 1976 only came into force on 1 September 1983.

The problem of correct classification hit Hai-O from another quarter. Because of its high alcoholic content, the Medical Advertisements Board in the Ministry of Health took exception to Special Quality Ling Zhi wine being sold as a wine, and insisted that it be relabelled as "Ling Zhi medicated liquor". On 22 April 1988 the Board gave a formal letter of approval to this description and also provided for fresh labelling requirements to show the composition of LZML and the dosage in Bahasa Malaysia. The words "Special Quality" were required to be deleted. The words "Medicinal Preparation" was substituted. The label submitted to the Ministry then shows the inclusion of Hai-O's name on the box as the importers, and on the bottle (E15/Exh. 4). The Ministry assigned its approval No. KKLIU 0074/88/HJ for the new labelling. After this date the Chinese manufacturers followed the new Bahasa Malaysia wording at Hai-O's request on their products. The classification of the said mark remained the same.

It is perhaps a measure of Hai-O's success that it became a public company in June 1989, now known as Hai-O Enterprise Bhd. On 2 June 1989 it is in evidence that Shandong Nature Produce - Import and Export Branch Corporation, Yantai Sub-Branch (Chinese Entity Five) shipped 1,000 cartons at US$38.40 per carton of LZML to Hai-O. This was on the *Huang Hua Quan* from Yantai to Port Klang. On 9 June 1990 they shipped another 1,000 cartons on the *Bei Dai He* (see E26/Exh. NCH4). There was a further shipment of 202 cartons from the same source to Hai-O on 20 September 1990 from Yantai to Klang.

NC got their supplies in the instant case from Kwong Ming Trading Co., in Hong Kong. There is an affidavit from the sole proprietor of Kwong Ming (see E33) to show that he bought 1,150 cartons of Zhan Qiao Pai Special Quality Ling Zhi wine from Chinese Entity Five in May 1990. These were shipped on or about 9 May 1990 by them from Tsingtao on the *Hua Shing*. On arrival at Hong Kong, Kwong Ming retained 150 cartons and sent 1,000 cartons to NC by the *S.S./M.V. Ragna*. The 1,150 cartons were originally intended for Indonesia and so marked. But the goods were Kwong Ming's and the bills of lading which Chinese Entity 5 obtained and sent on to Kwong Ming leaves me in no doubt that they knew this man. No doubt has been cast on the genuineness of this transaction or the bill of lading in question. Having sent 1,150 cartons to Kwong Ming in May and another 1,000 cartons to Hai-O in June 1990 it must be inferred that Chinese Entity Five knew of both parties. It is to be noted that Mr. Chin has produced a certificate of origin for the goods shipped by Chinese Entity Five to show they originated from Chinese Entity Four at Qingdao.

I am prepared to assume that the *Ragna* arrived in Port Klang in May/June 1990, and that NC commenced its sales from this consignment in June/July 1990.

In their affidavits Hai-O treats the supplies by Chinese Entity Five as those ordered by them. The Chinese party who have applied to intervene in these proceedings are Shan Dong Medicines & Health Products Importer & Exporter Corp., 18 Baoding Road, Quingdao China (See E15 Exh. CCS7), i.e., Chinese Entity Four. They assert contrary to the documents before me that they have had no dealings with Kwong Ming.

There are some other matters to which I want to refer. Hai-O had notice of NC's challenge on 10 October 1990. After they were served with NC's application dated 25 October 1990 they must have known that the validity of their mark was sub judice. Indeed the summons (E10) showed it was fixed for hearing on 6 November 1990. But Hai-O was apparently not prepared to let the law take its course. On 26 October 1990 Hai-O by its executive director Mdm. Tan Seow Eng wrote a vehement letter to NC's bankers imputing criminal conduct to NC and asked if the bankers thought it wise to continue to finance them. NC protested to this Court that this act only served to demonstrate even further the malice and *mala fides* of Hai-O and its directors in their determination to squeeze out all their competitors from the Malaysian market.

Hai-O on the other hand appears to have thought that what they were doing was legitimate almost to the point of being self-righteous. After all they had been the unchallenged registered owners of the mark now for over nine years. Between 1984 and 1989 their total advertising expenses, sales promotion, and administration fees, had come to more than RM1.39 million. During the same period they had imported about RM10.3 million worth of this product and sold the same at about RM14.7 million. The magnitude of these operations were such that in their own minds and in the minds of important people in the trade LZML coupled with the said mark had become synonymous in Malaysia with Hai-O as its importers.

In laymen's terms this was the crux of the matter. Had all that Hai-O done in Malaysia vested them with the monopolistic right they claimed? Or was NC correct in contending that such a view was wholly erroneous and had no legal basis to support it?

When Can Be Registered As the Owner of a Trade Mark - Proprietor As First User Or Importer?

Generally speaking it is the manufacturer of goods who is entitled to be registered as the owner of any mark he attaches to identify his goods, not the person who imports these goods into this country. In certain circumstances however the importer can acquire that right as against the manufacturer where there is a contest between them. Hai-O submits that it should follow that there is no such contest and as the manufacturer and importer are acting in concert, the importer can exercise that right against third parties. The true legal position depends on the proper application of the line of cases following *Re The Apollinaris Company's Trade Marks* [1891] 65 LT 6, [1891] 8 RPC 137 cited for NC and the case of *Re Diehl K.G.'s Application* [1969] 3 AER 338, [1970] RPC 435 and other similar cases cited for Hai-O to show that in the circumstances of this case Hai-O could and did acquire an independent right to register itself as owner.

We start with the definition of a trade mark in s. 3 of the Trade Marks Act 1976 [TMA 1976] where the material words are:

> 'trade mark' means ... a mark used or proposed to be used in relation to goods ... so as to indicate a connection in the course of trade between the goods and a person having the right ... as proprietor ... to use the mark ...

It is important at all times to keep in the forefront of our minds that there is a clear distinction between the intellectual property in a trade mark, and the title to the goods upon which that mark is applied. So generally a manufacturer continues to own the mark even though he has sold the goods. The object of the exercise is to indicate "origin". In its most elementary form the owner of the trade mark would be the trader whose connection is indicated by the use of the mark. That trader would be the owner of the mark at common law. Speaking generally in this case it is common ground that the said mark was originally conceived in China for the purpose of indicating the Chinese connection with the goods. If the Chinese used or proposed to use this mark on their goods in Malaysia then the said mark comes within the definition. So viewed the proper meaning to be assigned to the term "proprietor" means the Chinese because they were the ones who first intended that their mark should be used in Malaysia when they agreed to allow Hai-O to import their goods under the sole agency agreement and did in fact so use the mark from the day the goods reached Malaysian soil.

Hai-O's contention is that from the date of the Sole Agency agreement with the Chinese on 21 November 1976 up to 13 February 1981 they alone imported Special Quality Ling Zhi Wine into Malaysia for resale. During this period they say that they (i.e. Hai-O) alone "used" the said mark in Malaysia, to show to the Malaysian public that they were the sole importers of Special Quality Ling Zhi Wine. For the purpose of this submission we will assume that Hai-O alone were the sole and exclusive importers. Hai-O's caveat on the line of cases cited by Mr. Wong for NC is perhaps best articulated by Kerly - *Law of Trade Marks and Trade Names,* 12th Edn. ("Kerly"), at para. 2-15(3):

> In the earlier days of trade marks, the connection indicated was generally with a manufacturer; and observations may be found in which, no doubt unintentionally, words are used which might suggest that trade marks always indicated a manufacturing source. Such a limitation has never been recognised. There have always been instances in which the reputation behind goods was that of a merchant and not of the actual maker; and in recent times the concept of a trade mark has had a wider scope than that. The 1905 Act listed the various forms for trade connection that it recognised - manufacture, selection, certification, dealing - and since it can hardly be supposed that the present wording is narrower in scope, the decisions under that Act admitting marks as trade marks are still of value ...

Since our definition has a similar history, and it has been historically recognised that a "dealing" with the goods can constitute the necessary connection between themselves and the product they were importing. Hai-O claims that as the first user of the mark **in Malaysia** to indicate such a connection they were entitled to regard themselves as proprietors of the said mark.

This then is the first question to which the Court must address itself. Reference may now be made to a passage under the heading "Use through Intermediaries" in the text book *Australian Law of Trade Marks and Passing Off* by Shanahan - 2nd Edn. ("Shanahan"), at pp. 24 and 25:

> If a trader uses a trade mark to denote that he or she is the origin of a product, that mark should continue to do so as the product passes through the hands of others on its way to the ultimate consumer. Each time that the product is "traded" there will be for the purposes of the Act a use of the mark by the first trader to indicate that trader's connection with the product.

In *Estex Clothing Manufacturers Pty. Ltd. v. Ellis and Goldstein Ltd.* [1966] 116 CLR 254 garments bearing the mark of an English clothing manufacturer were purchased in London by buyers acting on behalf of Australian retailers. The garments were then brought to

Australia and resold by the retailers. It was argued in proceedings for removal for non-use under s. 23 of the Act that the sales in Australia by the retailers did not involve use of the mark by the manufacturer, but this argument was rejected by Windeyer J, who said:

> After the goods have been sold by [the manufacturer] his mark may still, using the definition of trade mark in the Act, be used in relation to those goods for the purpose of indicating a connection in the course of trade between them and him, the registered proprietor of the mark. The manufacturer who sells goods, marked with his mark, to a warehouseman, wholesaler or retailer does not, in my view, thereupon cease to use the mark in respect of those goods. The mark is his property although the goods are not; and the mark is being used by him so long as the goods are in the course of trade and it is indicative of their origin, that is as his products. Goods remain in the course of trade so long as they are upon a market for sale. Only when they are bought for consumption do they cease to be in the course of trade. The concepts upon which the case turns are economic, commercial, business concepts concerning the marking and marketing of goods, rather than the provision of the Sale of Goods Act concerning the passing of property.

An appeal to the Full Court of the High Court was unsuccessful. The Court (Barwick CJ, and McTiernan, Taylor and Owen JJ) said of a "trade mark" that:

> Its denotation is not limited by any concept of the physical use of a tangible object and we have no doubt that when an overseas manufacturer projects into the course of trade in this country, by means of sales to Australian retail houses, goods bearing his mark and the goods, bearing his mark, are displayed or offered for sale or sold in this country, the use of the mark is that of the manufacturer.

It has been suggested that the words "projects into the course of trade in this country" above assume "some knowledge or contemplation in the manufacturer" that the goods will reach the Australian market. However, those words do not compel that interpretation, and such a requirement appears inconsistent not only with the objective nature of the test of use provided by the definition of "trade mark" but also with the line of authorities flowing from *Champagne Hiedsieck et Cie v. Buxton*, which establish that unauthorised "parallel importation" is not trade mark infringement for the mark is being used to indicate the registered proprietor's own products.

Does it make a difference to Hai-O's position that they obtained a commercial reputation for being the exclusive dealer's of LZML with the consent of the Chinese? This is answered by *Riv-Oland Marble Company (Vic) Pty. Ltd. v. Settef PA* [1988] AIPC 90-577 at p. 38-459. Here Settef an Italian Company had put its mark Riv Oland on its goods consisting of granular marble in drums. Settef appointed a sole agent in 1967 in Australia who incorporated themselves using the Riv-Oland name to market the goods. As the marketing attempts were unsuccessful the relationship was terminated. But the Australian company continued to use the same name. It independently processed and improved a product similar to Settef's which it marketed with great success. In 1978 Settef applied for and registered its mark in Australia for its Italian product. The Australian company objected, claiming that it had acquired independent title to the Riv-Oland mark by reason of its activities. At the final appeal Lockhart J dismissed the claims of the Australian company to proprietorship of the Riv-Oland mark. The relevant passage is at pp. 38-481 of the report:

To the uninitiated it may be useful to reiterate that the words "use" and "user" has an esoteric significance in trade mark law and practice - the user of the mark was the original manufacturer or the originator of the goods upon which he affixed his mark. He does not cease to use the mark to the exclusion of the other traders into whose hands the goods may come until the goods reach their ultimate consumer.

So we come to the passage in the headnote in the *Apollinaris* case [1891] 8 RPC 137 upon which Mr. Wong so heavily relies. It reads at p. 7:

> ... The trade mark of a foreign producer cannot be registered by an importer from that producer as his own, whether the goods are produced by a course of manufacture or by a process of nature, nor whether the importer has or has not an exclusive contract for this country, nor whether the producer does or does not consent to the registration ...

This proposition is the basis for such statements as appear in para. 71-650 of *Australian Industrial & Intellectual Property* by C.C.H. Australian Ltd. (AIIP) which reads:

Regardless of use, the right to register a foreign trade mark is restricted to those who cannot be said to owe any duty to the proprietor of the foreign trade mark. Thus the trade mark of a foreign company may not properly be registered in Australia by its agent or by an Australian importer of its goods or by an employee of the importer. Any such registration will be invalid even if the agent is honestly registering to protect the principal, or if the goods have been sold in Australia bearing the trade mark (the "*Certina*" case). This is not to say, however, that such trade marks do not become registered. In most cases they would, as it is unusual for the Registrar to raise requisitions concerning proprietorship. Rather it is the case that such registrations can be subsequently challenged, usually under s. 22.

Mr. Siew of Counsel for Hai-O said *Apollinaris* was not applicable in the present circumstances because the definition under the 1875 Act was narrower, and further the facts were different. Before I deal with that submission I think it will be useful to analyse the cases he cited to show how an importer can acquire proprietorship of a trade mark where the first use of the product is in this country.

His strongest case was *Re Diehl K-G's Application* [1969] 3 AER 338 (2). This case runs counter to the flow where a trader has invariably managed to retain proprietorship of a mark originally conceived by him for the purpose of indicating his connection with the goods. On the facts of that case the German manufacturer in law could and should have claimed to have used his mark when its machines were imported into the United Kingdom. However this crucial issue was not taken up and it was assumed in the judgment that the first user of the machines in the UK was by the English importer who had first sold the goods in the UK.

In *North Shore Toy Company Ltd. v. Charles L. Stevenson Ltd.* [1974] RPC 545, McMullin J made the following observations about this decision at p. 554:

> ... For the respondent in the present case it was said that, just as the distributor in *Diehl's* case had acquired the reputation attaching to the trade mark, in the present case the respondent had acquired the reputation attaching to the soft toys, the subject matter of the trade mark "Lul-a-bye". But a close examination of *Diehl's* case reveals that there were substantial points of difference in the two cases. In *Diehl's* case there was no suggestion that the original registration was made (see [1970] 2 WLR 944 at 951 letter E; [1970] RPC 435 at 442, lines 7-9; [1969] 3 All ER 338 at 345 letter B). In the present case the applicant asserts that the respondent had no right to the mark because it was never the proprietor. There was no room for such a suggestion in *Diehl's* case because prior to the making of the distribution agreement the manufacturer had not sold any machines in England and had not acquired any proprietorship in the mark. Moreover, prior to the distribution agreement no reputation attached to the name in the United Kingdom. The manufacturer was held not to be entitled to invoke any reputation that attached to the name through sales overseas. The same position does not pertain here where already prior to the distribution agreement being entered into, the partnership had acquired an interest in the mark by virtue of its use in the North Island. It may have been a limited use but it nonetheless was a sufficient use. The right to use this mark it assigned to

the applicant. Moreover, in *Diehl's* case, because the manufacturer had not sold any goods on the English market and because the distributor sold only that particular manufacturer's goods, the registered trade mark could be said to be distinctive of the distributor's goods. Consequently, there was nothing demonstrated to displace the *prima facie* benefit of registration which the Act conferred.

Another refinement which should be observed is in accordance with an observation by Fry LJ in the *Apollinaris* case at p. 13 where he said:

> We are not concerned with a case in which an importer may use the mark of a manufacturer **with an addition** indicative of the goods having been imported by him ...
>
> (Emphasis mine)

In *Re Diehl* the mark which the English importer registered, albeit consisting of the German manufacturer's name, was of the English importer's devising. The German mark was in a bold and distinctive script. (See e.g. p. 341 of the report at F). The English importer's registration in 1960 was of the single word, "Diehl" not written in any special script. The German manufacturer never claimed any interest in this mark until the disputes arose. (See p. 3431 and 344 B).

"Thunderbird" Trade Mark [1974] 48 ALJR 456 at 460 (HC) also [1974] 131 CLR 592 is a case where an Australian Company sought to claim the trade mark "Thunderbird" for itself on the ground that the mere purchase by the Australians of a single boat which they used as a mould to copy and manufacture their own boats, carrying the mark Thunderbird for the first time in the Australian retail market, enabled them to claim proprietorship of the mark in Australia. Jacobs J said at pp. 601 and 602.

> The words "Australian market" appear in the cases, e.g. *Seven Up Co. v. O.T. Ltd.* [1947] 75 CLR @ pp. 215, 216; *Kendall Co. v. Mulsyn Paint and Chemicals* [1963] 109 CLR 300 @ pp. 304-305, but the words do no more than describe a use in Australia for the purpose of indicating a connexion in the course of trade between the goods and the person who uses the mark. There is no need for a general market reputation to exist: *Hall v. Barrows* [1863] 8 LT (NS) 227, at p. 229, per Romilly MR in a passage approved by Williams J in *Re Registered Trade Mark "Yanx"* [1951] 82 CLR 199, at p. 205. The clearest case of use for such a purpose in the course of trade is a use on an article sold by the user in Australia. The nature of the sale or the purpose of the purchaser in making the purchase cannot gainsay the use of the mark in relation to the goods sold for the obvious purpose of indicating the necessary connexion.
>
> I cannot accept the further proposition that if there is a single importer, the knowledge acquired by him that the article or articles sold bore a distinctive mark, is insufficient to give distinctiveness to that mark on the Australian market. I do not read the cases relied on by the respondent as so deciding. *Impex Electrical Ltd. v. Weinbaum* [1927] 44 RPC 405 was a case where there was no use of the name in England before registration of the trade mark. Foreign markets were held to be irrelevant and that is now well established. *Re "Diehl" Trade Mark* [1970] RPC 435 is also a different case I do not have to determine to reconcile with in *Re Apollinaris Company's Trade Marks* [1891] 2 Ch. 186. It is important to bear in mind that in *Re "Diehl" Trade Mark* it was assumed that the original registration was valid: see *N.S. Toy Co. Ltd. v. Stevenson Ltd. Re "Diehl" Trade Mark* was a case which turned on the conclusion that the only use which had been made of the trade mark in England was a use by the importer into England and in some way that was used as a distinguishing factor. But see *Re Registered Trade Mark "Certina"*.

In Re Registered Trade Mark "Certina" [1970] 44 ALJR 191, an Australian was the sole distributor by agreement of a Swiss manufacturer's watches in Australia. The Swiss had affixed his mark "Certina" to the watches. Since 1947 the watches had been sold in Australia

exclusively by the respondent. A sole agency agreement was signed in 1954. The respondent had applied in 1952 to be registered as the owner of the mark Certina and was so registered in 1955. Registration was renewed in 1966 for fourteen years. In 1964 respondent applied to be registered as owner of the mark Certina DS. He was so registered in 1968. The respondent claimed the Swiss knew of these registrations and acquiesced in them. The Swiss disputed this; and filed its applications in November 1969 to have both the marks expunged. More than fourteen years had elapsed since the first mark was registered. Barwick CJ did not find it necessary to decide whether or not the Australian had registered with the consent of the Swiss. He said at p. 193:

> The applicant has the necessary standing to maintain the application to expunge or to remove the mark, being relevantly an aggrieved person, see in *re Apollinaris Co's Trade Marks* [1891] 2 Ch. 186, at p. 225. The marks should be expunged if the respondent was not entitled to have registered them, see s. 22 of the Trade Mark Act. Neither a manufacturer's agent nor the importer of the watches to which the mark had been applied by the manufacturer or exporter is entitled to be registered as the proprietor of the mark, see generally in *re Apollinaris Co's Trade Marks* [*supra*].

Shanahan says in a footnote 30 at p. 41 that the *Diehl* case "has been doubted and much explained". He refers to the *Thunderbird* case and to *Tai Muk Kwai & Ors. v. Luen Hup Medical Co.* [1988] 3 MLJ 69 which I will now deal with.

The salient facts here were that the "Chuifong pills" were being manufactured by the Taiwanese, and sold under their trade mark "Nan Lien Chuifong Toukuwan" (the Taiwanese trade mark). Ong - a Singaporean - approached the Taiwanese in November 1972 for rights to sell the pills in Singapore and Malaysia. The Taiwanese agreed. Ong did so through his Singapore company "Ultra". Ultra expanded its sales through Luen Hup the defendants. Ultra registered the Taiwanese brand names under two trade marks in 1973 under its own name as proprietor. The Taiwanese knew about this but did not ask the marks to be registered in their own names. Subsequently Ultra assigned its entire business to Luen Hup. When Luen Hup was discovered to be selling pills made by themselves by their Malaysian company, the Taiwanese terminated the agency agreement and claimed the two trade marks for themselves. Chan Sek Keong JC (as he then was) said at p. 74 of the judgment.

> There is indisputable evidence that there was a substantial user (see PB233, PB242-243 and PB245) of the word mark 'Nan Lien' and the design mark in respect of Chuifong Toukuwan in Singapore prior to the registration of the two trademarks. Certainly in 1972-73, both the defendants and other retailers (e.g. PW4) were aware of the reputation of Nan Lien Chuifong Toukuwan, their origin and the names of the manufacturer and the suppliers. There was a sufficient prior use of the word mark 'Nan Lien' and the design mark in Singapore for the first plaintiff to have prevented Ultra from making any claim to the ownership to and registration of the said marks in Ultra's name if it had wanted to at the relevant time. If Ultra had purported to claim an absolute ownership of the said marks, it would have been a wrongful claim: see *Re Inescourt's Trade Mark (Le Vampire)* and *North Shore Toy Co. Ltd. v. Charles L Stevenson Ltd*.; *Thunderbird Products Corporation v. Thunderbird Marine Products Pty. Ltd.*
>
> It should be noted that the proceedings in *Re Diehl Trade Mark* was for rectification of the register and that the decision of Buckley J was based on a finding of fact that in the circumstances of that case the initial registration of 'Diehl' by the English importer was not wrongful at the time of the registration. One important circumstance expressly relied upon by Buckley J was that the respondent had traded under a corporate name which included the name 'Diehl' for seven years before it applied for registration. In my view, the decision of *Re Diehl Trade Mark* must be viewed in the light of its own facts. In *North Shore Toy* and the

Thunderbird case, the New Zealand Court and the Australian High Court were both constrained to distinguish *Re Diehl Trade Mark* on the ground that there it was assumed that the initial registration was valid.

The facts in the *Tai Muk Kwai* case are complex and I hope my summary has not resulted in some distortion. Suffice it to say that like Chan Sek Keong J (as he now is) I am not persuaded by the judgment in the *Diehl* case. We must take note that the Taiwanese application to Court was made in April 1981 i.e., more than seven years after the original registration.

What is clear from the facts and the law quoted so far is that in order to enable an importer successfully to claim proprietorship of a manufacturer's mark the facts must do more than just show that he was, *albeit* with the manufacturer's consent, a mere conduit pipe for the manufacturer's goods. As Shanahan says at p. 41:

> The dealer does not establish proprietorship by showing only that purchasers look to the dealer as the sole supplier of the goods; they might well do that in recognition of the dealer's exclusive selling right, while aware all the while that the mark denotes some manufacturing origin. This is particularly likely where the manufacturer is actually identified by the labels or the goods are clearly of foreign origin.

Dissociation

What then must be done? Putting it my way it would appear that before an importer can claim that a trade mark has become his, so as to be regarded as a true "importer's mark" and no longer a manufacturer's mark, he has to demonstrate that the mark in question has undergone a qualitative change from a foreign pupa to a local butterfly. This metamorphosis will be achieved only if it can be shown that by reason of events preceding the date of application for registration the mark which the importer has applied to register has become totally effective in distinguishing in the minds of the consumers in Malaysia that the goods imported are the importers goods as opposed to being the goods of the foreign manufacturer. There should be no room for any schizophrenia of perception as to the origin of the goods.

From the cases which now follow it will be observed that the process by which this qualitative change is achieved is by "**Dissociation**". Whether that has been achieved in a given set of circumstances seems to me to be a question of fact. Without the **exclusive** right to import **all** the goods of a particular manufacturer on which the manufacturer's mark is placed, the importer does not even **begin** to make out its case. But that is just the beginning. He must do more .

As Barwick CJ explained in the *Bayer* case [1965] 120 CLR 285 at 323:

> It may be that, in some circumstances, what begins as a foreign manufacturer's mark may in time end as the registrable mark of the local distributor of that manufacturer's products or, for that matter, of the distributor's own manufactured goods. But in such cases, at least there must be a clear dissociation from the initial significance of the mark so as to warrant the conclusion that the mark has become exclusively indicative in Australia of the local distributor's goods.

Successful examples of such dissociation are not easily found where the mark was originally that of the foreign manufacturer, and that manufacturer was the first user in the country of import. In *Thunderbird* and *North Shore Toy Co. Ltd.,* and even *Riv-Oland* there was substantial local activity in connection with the new product. But that was not enough. In *Moorgate Tobacco v. Philip Morris* [1984] AIPC 90-141 the importer succeeded because the

American contestant never used in Australia the mark which was the subject matter of dispute. It was a mark created in Australia and applied to goods made in Australia even though there was a trading association between the parties which preceded the dispute.

For the time being at least, the best I can do to demonstrate what an importer should do is to reproduce Shanahan at p. 43 where he says:

Dealer's marks

> Notwithstanding the difficulties referred to above, there is a class of case in which the mark is clearly that of the distributor or importer. Here the dealer has 'selected' the goods. They have been made to the dealer's specifications (to the dealer's 'special order') by a manufacturer (or by several manufacturers) who have applied the mark to the goods at the dealer's instigation to indicate that the dealer is connected in the course of trade with those goods. In such cases the dealer will usually have nominated the mark to be used; however, the dealer's proprietorship is not based essentially on that circumstance (though it may well be relevant to the implication of some agreement affecting proprietorship) but on what the mark symbolises, namely, that the goods have been issued under the 'aegis' of the dealer.

It may help to clarify our focus if we remember that in *Aristoc Ltd. v. Rysta Ltd.* [1945] 62 RPC 65 such dissociation was not brought about merely by setting up an extensive repair service, and that in *Karo Step* quality filling in of quilt covers in the UK purchased from the German trade mark owners was not enough. See also *Inescourt's Trade Mark (Le Vampire).*

The Malaysian importer's acts to substitute his own *imprimatur* on a mark he wishes to claim as his own, even if it be a facsimile of a manufacturers mark used exclusively overseas, must be performed in the nature of the qualitative change referred to earlier, before the goods on which the manufacturer has applied his mark first become available on the Malaysian market. *Aston v. Harlee Manufacturing Company* was a case where Aston an Australian dealing in Iced Milk copied the mark "Tastee Freez" of an American trader with whom he was in communication. The mark has never been 'in use' in Australia when Aston applied to register the mark. So he got to keep it despite opposition. *Impex Electrical v. Weinbaum (Dario)* [1927] 44 RPC 405 is also such a case. *Re the Registered Trade Mark "Yanx"* [1951] 82 CLR 199 went the other way because at the time of the application the English manufacturer "intended" to put his goods on the Australian market. So in the *Obermeier* case the concurrent reputation which the importer obtained from the manufacturer's mark was not enough to enable him to keep his registration since the circumstances in which the mark was used falsely suggested that the importer was also the manufacturer. As Tomlin J said at p. 54:

> In my opinion distinctiveness has not been established. There is no satisfactory evidence establishing distinctiveness since the applicant resumed business, and for the period prior to the outbreak of war the evidence at its highest is only evidence that the trade associated the mark with the applicant. As was said by Lord Justice Lindley in *Wood's Trade Mark,* LR 32 CD 247, at p. 259:
>
> > It is not sufficient to show that those who are in the trade knew "the facts, but the question is what the public knew";
>
> and here I can find no evidence that the public had any knowledge that "Obermeier" meant a piano manufactured, selected, certified, dealt with or offered for sale by the applicant. I think the applicant fails to establish the necessary distinctiveness.
>
> But the matter does not rest there. I am satisfied that, having regard to the form of the applicant's advertisement and the marks on the pianos, there could have been but one impression on the minds of those who acquired the pianos, namely, that "Obermeier" applied

to pianos meant a piano manufactured at a particular factory in Berlin, though some may have also thought that the applicant was the sole agent in this country for those pianos, and it may well be the position indicated by Lord Justice Bramwell in *Robinson v. Finlay* LR 9 CD 487, at p. 502, in the passage in which he says:

> If they sold their "wine without reference, as I think they do, to its having been grown by any particular person, the wine of that particular person would have gained no particular reputation as being sold by Messrs. Gilbey, and he would not be entitled in any way to use their trade mark; but supposing Gilbeys were unwise enough to sell a particular wine and earmark it in some way applying a particular trade mark to it, and describing it in such a way that that portion "of their sales got a special renown independently of Messrs. Gilbey themselves and they chose to sell it no longer, I should doubt very much whether the grower of the wine would not be entitled to use all the marks which had designated those wines with their trade mark over it.

In the case before me Hai-O did not go to China and direct the Chinese to compound a wine to Hai-O's specifications, nor did the Chinese affix the Zhan Qiao Pai mark on the product to show that Hai-O was connected in the course of trade with these goods. The finished product was 100% Chinese, and the said mark indicated just that. It was so exported for sale to Malaysia from 1976. Hai-O did not nominate the use of the said mark on the product either. The said mark symbolised that the goods were manufactured and exported under the sponsorship of the Chinese.

Hai-O contends that they participated with the Chinese in labelling the product in Bahasa Malaysia. Initially it will be remembered that under the terms of agency agreement Clause. 13 Hai-O was required to obtain the prior approval of the Chinese agent in Hong Kong as to the format of the advertisements and promotions. Even if the packaging originally showed each carton to be imported by Hai-O, (and there is no evidence to that effect) the only mark Hai-O registered was the device unaccompanied by any words other than Zhan Qiao Pai. The Bahasa Malaysia wording came in April 1988. But that was just a change in nomenclature i.e., LZML instead of Special Quality Ling Zhi Wine. The rest was a Bahasa Malaysian translation of the ingredients. The composition of the product and the mark under which it was sold remained the same albeit with the addition of the Health Ministry's file reference number. But the product remained a Chinese product and the trade mark under which it was sold was the mark of the Chinese throughout. Consequently I regret that I must hold that, on the facts of this case, *Apollinaris's* case has not been distinguished, nor has Hai-O shown that they have dissociated themselves sufficiently from the Chinese so as to claim that their activities in Malaysia from 1976 onwards was sufficient to enable them to claim that they had become the lawful proprietors of the mark.

If Not By "User" Did Hai-O Become Proprietors By Express Agreement Or By Implication

On a plain reading of the agreement to register and the letter of authority dated 17 June 1980 I also hold that the Chinese were asserting that they were the owners of the said mark. No other construction is possible without doing violence to the language. If Hai-O was the proprietor at common law of the said mark why was it necessary to get prior permission?

In support of their assertion that the two documents dated 17 June 1980 operated to transfer ownership of the said mark, Counsel submitted that the transaction could be viewed as an assignment. But a trade mark is an indication of origin, and the law is that you cannot have an assignment of a trade mark in gross i.e. the mark cannot be assigned without the business that goes with it: See the *Law of Passing Off* by Christopher Wadlow [1990] pp. 88, 89, *Pinto v. Badman* [1891] 8 RPC 181 and *North Shore Toy Company.*

The inescapable conclusion to which an analysis of the cases brings us is that the user of the mark in Malaysia from 1976 to date was user by the Chinese. The factual conclusion from the two letters dated 17 June 1980 is that it did not divest the Chinese of proprietorship of their mark. The evidence analysed also shows that at the date of the registration of the application i.e., in February 1981 Hai-O had not so dissociated themselves from the Chinese as to enable them to claim that they had become proprietors of the mark; and this situation continued. It follows that they were wrongly registered as proprietors of the mark.

Even If Wrongly Registered In 1981 Was Hai-O Immune From Action By Reason Of s. 37 Of The Trade Mark Act 1976

Despite all the earlier infirmities it was urged that as seven years had elapsed from the date of these legal proceedings the registration had become conclusive by reason of s. 37 of the Trade Marks Act 1976. It was said that Hai-O had acted *bona fide* and with the blessings of the Chinese. Furthermore if the Chinese were the owners of the mark it was stressed that they were not objecting.

Although the marginal note to s. 37 does say "registration conclusive" the words of the section do not have the effect of s. 4(3) of the Evidence Act which reads:

> When one fact is declared by this Act to be conclusive proof of another, the Court shall, on proof of the one fact, regard the other as proved, and shall not allow evidence to be given for the purpose of disproving it.

The critical words of s. 37 of the Act are as follows:

> In all legal proceedings relating to a trade mark registered in part A of the Register (including applications under s. 45) the original registration of the trade mark under this Act shall, after the expiration of seven years from the date thereof, be taken to be valid in all respects unless it is shown -
>
> (a) that the original registration was obtained by fraud;
>
> (b) that the trade mark offends against s. 14; or
>
> (c) that the trade mark was not at the commencement of the proceedings distinctive of the goods of the registered proprietor.

The original registration was under the Trade Marks Ordinance 1950. The seven year period expired on 12 February 1988. (The exception to s. 37 is irrelevant to our case since the extended period there provided expired on 31 August 1986). Hai-O's submission is that s. 37 overrides s. 45 which provides for rectification of the Register.

My reading of s. 37 of the Act is that if evidence is produced to prove the requirements of s. 37(a),(b) or (c), the registration ceases to be valid in all respects, and a determination is then required as to what remedial action is needed. Clearly the time frame in which s. 37(a) must be viewed is the time of the registration, i.e., 13 February 1981. Section 37(b) however uses the present tense, so we must consider the situation at the time of the proceedings as also in s. 37(c) except that s. 37(b) could be said to relate to the time of the hearing. Each subsection must now be taken in turn.

Was The Original Registration Obtained By Fraud

Some oblique support for Hai-O's submission that non-user by the registered proprietor of the mark has not by itself been held to amount to fraud was sought to be extracted from the fact that in most of the cases cited the contest as to who was entitled to the mark took place within the equivalent seven year period. Thus in *Thunderbird Products Corpn. v.*

Thunderbird Marine at p. 602 of the report Jacobs J said of the equivalent Australian s. 61:

> But then the question arises whether s. 61 nevertheless makes the original registration valid. It will do so unless the present proceedings were commenced within the period of seven years provided that the original registration was not obtained by fraud.

That Court did not need to decide this question because it was held that the proceedings were filed within that period.

Mr. Siew of Counsel cited *Aston's* case where Fullagar J felt himself unable to hold that Aston's conduct in registering himself as proprietor of Harlee's "Tastee Freez" mark was fraudulent even if it could be said to be "sharp practice". (See p. 403, para. 2, and p. 404 last para). However Aston owed no legal duty to Harlee, and more to the point he was not marketing Harlee's goods in Australia. He also cited *The Seven-Up Company v. O.T. Limited & Anor.* [1947] 75 CLR 203 as illustrative of negativing fraud in the present case. Such heavy reliance was placed for Hai-O on this case that I feel constrained to refer to it at some length. The Australian respondents, who produced aerated waters, registered themselves as the proprietors of the Trade Mark 8-Up on 17 August 1939. The reputation of the 7-Up Company was famous in N. America. But, and this is most important, they had sold none of their products in Australia. Nevertheless they applied on 12 March 1940 to register their mark and remove the 8-Up mark. The headnote echoes the *Aston* case in stating that it was not fraudulent for the respondents to register their mark. The critical passage is at p. 211, where Williams J said:

> In my opinion the effect of these cases is that in the absence of fraud it is not unlawful for a trader to become the registered proprietor under the Trade Marks Act of a mark which has been used, however extensively, by another trader as a mark for similar goods in a foreign country, provided the foreign mark has not been used at all in Australia at the date of the application for registration. But the position is different if at that date the mark has become identified with the goods of the foreign trader in Australia because those goods have been brought into Australia by the foreign trader himself or by some importer or in some other manner. The Court frowns upon any attempt by one trader to appropriate the mark of another trader although that trader is a foreign trader and the mark has only been used by him in a foreign country. It therefore seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia. It is not then a mark which another trader is entitled to apply to register under the Trade Marks Act because it is not his property but the property of the foreign trader. The Registrar is entitled to refuse to register the mark for such goods. If it has been registered the Court may rectify the register on ground that the mark is wrongly entered on the register.

Although Williams J does not expressly say so, the inevitable inference to be drawn from the words following, "But the position is different ..." is that in those circumstances it would be fraudulent for the trader so to register himself.

I say this because the fraud that is here referred to is not just the fraud on the foreign manufacturer. It is the fraud on the Registrar and through the Registrar on other traders and the Malaysian public. As between an importer and his manufacturer it may well be that he has consent to register, as did the importer, in *Diehl* or *Riv-Oland* [1988] AIPC 90-577 at p. 38-459 or *North-Shore* 45. But as to the Registrar and the public other considerations apply.

Some assistance may be derived from a comparison with the concept of a contract being rescinded when there is a fundamental breach and saving it where the failure to comply is

merely collateral or severable. It seems to me that the object of s. 37(a), (b) and (c) is directed to a consideration of the integrity of the mark. Does it tell a lie about itself? Kerly - ("Kerly") deals with this matter at para. 11-04 p. 178 where the author says that what is meant by fraud in this section has not been precisely defined but goes on to say it might be fraud for a person to procure the registration of a trade mark of which he knows he is not entitled to claim the exclusive use - for instance if he knows that it is in use by another trader. The other example given is that of the agent of a foreign manufacturer registering the trade mark of the latter in his own name. (*Gynomin* and *National Bell Co.*, were read to me at length). Kerly further states on the authority of *Bentley v. Lagonda* [1947] 64 RPC 33 that unless actual deception is alleged it is not possible to contend that the registration was obtained by fraud. Shanahan p. 248 is very much more trenchant. He refers to Williams J in *Farley's* case at p. 493 and then says this:

> Presumably, a false claim to proprietorship involving a breach of s. 40 could receive the protection of s. 61 only if the claim were made innocently in ignorance of the prior use of the mark by another. Where the claim is made with knowledge of the prior rights of another this should amount to fraud on the Registrar and fall within the exception.

In the present case Hai-O was very well aware of the facts which obliges this Court to hold that in law their sale of Special Quality Ling Zhi Wine was tantamount to user by the Chinese. I also hold that they must have known that the Chinese were applying the said mark to other items in the same range exported by them for sale in Malaysia. What distinguishes Hai-O from the facts in some of the cases cited is that they registered the mark with the knowledge and consent of the Chinese. Perhaps they even honestly believed themselves entitled (in a subjective sense) to do as they did. However I am compelled to hold on the facts that objectively viewed they were not entitled to say to the Registrar as they undoubtedly did that they were the proprietors of the mark. Hai-O and the people advising them in 1981 must be taken to have known the law. Section 7 of the Act forbids the Registrar taking notice of a trust. The scheme of the Act imposes a duty on the applicant to disclose truthfully who the proprietor of the mark is. By s. 25 of the Act only the person claiming to be the proprietor can apply in the prescribed manner. In a nutshell Hai-O misled the Registrar on a point which went to the root of the matter. I hold that in that sense a fraud was committed on the Registrar. Was a fraud committed on the public? *Pinto v. Badman* has already been referred to on the ineffectiveness of an assignment in gross to transfer a mark. The reason given by Fry LJ at p. 194:

> ... It is plain, therefore, that that being the title which the plaintiffs have disclosed, the question comes to be one of law, and by the English law can a trader, who has used a brand upon a particular article, and who continues to manufacture that article, alienate that brand to another person, so as to give that alliance any right whatever? It appears to me that, upon first principles, he can have no such right.
>
> The brand is an indication of origin, and if you transfer the indication of origin, without transferring the origin itself, you are transferring a right, if any right at all, to commit a fraud upon the public, and such right is not recognised by the law of England. ...

So it would appear that to be made innocently it must follow that the applicant had no knowledge of the prior use of the mark by another trader, at the time of the application for registration. Where he had such knowledge it perhaps could still be of no consequence if the user by the other trader was of such a nature that justice would require it to be ignored. It is unnecessary for me to speculate here in what circumstances such a situation could arise.

Does The Mark Offend Against s. 14?

The relevant words of s. 14(a) read:

> 14 A mark or part of a mark shall not be registered as a trade mark -
>
> (a) if the use of which is likely to deceive or cause confusion to the public or would be contrary to law; and
>
> (b) if it ... would otherwise not be entitled to protection by any Court of the law ...

The relevant time is now. The question quite simply is whether a person looking at the goods Hai-O is selling will infer from the said mark thereon that the goods are Hai-O's or the Chinese. For the purpose of s. 14 the question should be directed also to the other products on sale in Malaysia on which the said mark appears.

Mr. Siew submitted that no deception was possible because the Hai-O box categorically stated that they were only the importers whereas the product was stated to be manufactured by the Chinese. He further contended that it was not a requirement under Malaysian law that a proprietor claiming to register a mark should in fact have the exclusive right to use the mark.

In this context it is to be noted that the relevant words of s. 35(1) of the Act are:

> ... the registration of a person in Part A ... as registered proprietor of a trade mark ... in respect of any goods shall, if valid, give ... that person the exclusive right to the use of the trade mark in relation to those goods ...

The authorities I have referred to so far makes it reasonably clear that a claim to sole proprietorship of a mark at the time of registration must necessarily connote that the claimant was contending that he had the exclusive right to the use of the mark. If that were not the case the mark should not be registered even if there is only a real danger of confusion. It is enough if an ordinary man entertains a reasonable doubt whether the two products come from the same source.

In this context reference could be made to the test spelt out in *"Bali" Trade Mark* [l969] RPC 472 by Lord Upjohn at pp. 496 & 497. The test has been locally applied by M.P.H. Rubin, Judicial Commissioner in *R.H. Macy & Co. Inc v. Trade Accents* (a firm) Singapore High Court DM2 of 1991 (unrep.).

This is of course a question of fact and as the Judge both of law and fact I can bring my own mind to bear on this matter because this is not a specialised product. (See *GEC v. The G.E. Co. Ltd.* [1972] 2 AER 507 at 515; [1973] RPC 297 Lord Diplock at p. 515.

I have before me a carton of LZML (Exh. R1) marketed by Hai-O, a carton of Special Quality Ling Zhi Wine marketed by NC, and two other bottles of bark and iron wine & Tanglong Jianmeijiu (fat reducing wine). All of them bear the said trade mark. Deception and confusion arises because one is left to wonder about the source of origin of the LZML marketed by Hai-O's product. Further deception is clearly caused as to the other three products aforesaid because Hai-O has nothing whatsoever to do with those products but the claim to the ownership of the said mark could leave the Malaysian public to wonder if these are in fact Hai-O's goods.

Was the mark distinctive of Hai-O's goods

The time frame for s. 37(c) with which we are now concerned is the commencement of these proceedings.

On the facts before me I must hold that the said mark was distinctive not of the goods of Hai-O (i.e., the single item of LZML imported by them) but of the whole range of products of the Chinese.

It was submitted that this situation did not result because of any blameworthy conduct on the part of Hai-O because they had not imported the other goods bearing the said mark.

But the fact is that in these proceedings their first line of defence is that they are the proprietors of the mark to the exclusion of the Chinese. Nevertheless Hai-O permitted the influx of the other goods bearing the said mark into Malaysia.

Applying the words of s. 12(1) of our Act "the trade mark is not distinctive" of Hai-O's goods because it was not "adapted to distinguish" LZML with which Hai-O is "connected in the course of trade" from Special Quality Ling Zhi Wine, bark and iron wine, and Tanglong Jianmeiju (fat reducing wine) with which no connection subsists.

Assuming That Hai-O Was The Lawful Registered Proprietor Of The Mark, Did NC Infringe That Mark In Relation To Goods In Respect Of Which That Mark Was Registered.

This issue calls other sections of the Act into play which we must now consider.

From the documents filed in this case by Hai-O it appears that the business of the Chinese from the inception was the production of Chinese patent medicine and medicated wine under Chinese Classification Class 31. The Court must infer that Hai-O knew this, and that they must have known from 1976 that what they were importing was Chinese Medicated Wine.

Regulation 5 of the Trade Mark Regulation 1983 provides:

> For the purposes of the registration of trade marks ... goods are classified in the manner prescribed in the Third Schedule.

The Third Schedule sets out 34 separate Classes of Goods. "Pharmaceutical substances" come under Class 5. Class 33 covers "Wines, spirits and liquors".

The classification is explained in "*Manual of Trade Mark Law and Practice in Malaysia*" [1989] published by WIPO. It is clear from the manual that the Third Schedule merely reproduces the relevant class headings of the International Classification of Goods and Services under the Nice agreement, which is applied in Malaysia. The alphabetical List of Goods puts, into Class 5, *inter alia*

> Medicinal Alcohol;
> Medicinal Drinks;
> Medicinal Herbs;
> Medicinal Infusion.

The Court has been left in no doubt that all the Chinese products with which we are concerned in this case comes under Class 5. The wording of the corresponding sections and regulations under the Malaysian legislation in force in February 1981 was the same.

Hai-O however registered the said mark under Class 33. In terms of the English labels on the product, Hai-O was importing Ling Zhi Wine and Special Quality Ling Zhi Wine. It is however the actual content of composition of the goods which determines the classification not the name by which a manufacturer or importer chooses to call it. I so hold and must consequently also hold that Hai-O had registered themselves in the wrong classification. There was no way the Registrar could know that Hai-O were intending to use the mark to trade in medicated wines, spirits and liquors.

This had unfortunate results because Ling Zhi Medicated Liquor (or the other names by which it was previously called *viz*. Ling Zhi Wine or Special Quality Ling Zhi Wine) were consequently not goods in respect of which the said mark was registered.

Going back to the definition of a trade mark in s. 3, and viewing matters from the Chinese perspective they never used or proposed to use their mark in respect of Class 33 goods.

NC submits they had not infringed Hai-O's trade mark because in the words of s. 38 of the Act

> A registered trade mark is infringed by a person who ... uses a mark which is identical with it ... in relation to goods in respect of which the trade mark is registered ...

Court's Power To Order Expunction Under s. 46 Discretionary

NC's application to expunge the mark turns on a proper interpretation of s. 46 of the Trade Marks Act 1976.

The relevant words for the purpose of this case are:

> 46(1) Subject to this section ... the Court may ... order a trade mark to be removed from the Register in respect of any of the goods in respect of which it is registered on the ground:
>
> (a) that the trade mark was registered without an intention in good faith, on the part of the applicant for registration ... to use the trade mark in relation to those goods and that there has in fact been no use in good faith of the trade mark in relation to those goods by the registered proprietor up to the date one month before the date of the application; or
>
> (b) that up to one month before the date of the application, a continuous period of not less than three years had elapsed during which the trade mark was a registered trade mark and during which there was no use in good faith of the trade mark in relation to those goods by the registered proprietor.

Pausing here I would recapitulate that the said trade mark was registered for wines, spirits and liquors and Hai-O:

(a) had no intention to use the mark in relation to those goods and there had in fact been no use of the trade mark in relation to Class 33 goods; (b) a continuous period of more than three years had elapsed during which there was no use of the trade mark for Class 33 goods.

Section 46(2) in material particular provides:

> (2) ... the Court ... may refuse an application made under subsection (1) in relation to any goods if there has been ... use in good faith of the trade mark for the time being in relation to goods of the same description, being goods in respect of which the trade mark is registered.

Hai-O's contention is that they made an honest mistake in registering themselves under Class 33. They say they are entitled to rely upon s. 46(2) to resist this application for expunction because they did use the trade mark on goods of the same description i.e., medicated wine and medicated liquor as opposed to wine and liquor.

Now goods of the same description are not the same thing as goods of the same classification. So for example cosmetic deodorants for personal use come under Class 3 but deodorants other than for personal use come under Class 5. I agree with Mr. Wong that upon a proper reading of the section, without reference to extraneous material, what it means in the circumstance of this case is that if the Chinese had been initially registered as

proprietors of the said mark under Class 5, **and** also under Class 33, then the non-user of the mark on Class 33 goods need not in the Court's discretion have resulted in the expunction of the mark for Class 33 goods. This is because there has been use on Class 5 goods of the same description being goods in respect of which the mark is registered.

In this context I was referred to the WIPO manual paras. 9.5, 9.6 and 9.7. By s. 25(2) of our Act an application cannot be made in more than one class. I was also referred to the WIPO manual paras. 25.80, 25.81 and 25.82, and to *Atlas Trade Mark* [1979] RPC 59 at pp. 68, 69. In my view this case seems to be narrower than the Malaysian position by reason of the report of the Goshen Committee. In the UK a registration under Class 5 would not have saved the situation since that was under a different registration.

Whilst the Court can readily sympathise with Hai-O for making an inadvertent mistake in registering the said mark under Class 33 in the genuine belief that "wine" in the legislation covered "Special Quality Ling Zhi Win", I regret that this subjective honesty cannot avail Hai-O because the effective implementation of the legislation must depend not on what an applicant for registration thought his goods were, but on what in reality they were.

The Chinese were producing only patent medicine and medicated wine. The reality is that Hai-O could not have intended to sell anything but medicated wine under this mark.

Consequently I am forced to hold that good faith cannot be claimed to accompany an intention to use, when that intention had no objective existence under the purview of s. 46 in relation to the goods in respect of which the mark was registered.

Power To Rectify Under s. 45 Also Discretionary

Once any of the three limbs of s. 37 are proved, that section can no longer override s. 45.

Bearing in mind that s. 45 is a discretionary section, I must take note of Counsel's submission that any rectification of the register will date back to the original registration and thereby have retrospective effect. (See s. 30(1) of the Trade Marks Act 1976).

Hai-O's Case For Rectification

In every one of the precedents cited by Hai-O's Counsel where rectification took place the combatants involved were the original owner of the mark, and a "pretender" who had some trading relationship with him directly or by succession and sought to usurp ownership. The usual order in all the cases previously referred to is for expunction.

In *"Zoppas" Trade Mark* [1965] RPC 381 substitution was ordered. Apparently the headnote is wrong because Dallas (the usurpers) did not appear. In *Tai Muk Kwai & Ors. v. Luen Hup Medical Company* (see p. 67) the Court ordered the assignment of the marks registered to the true owners. But it must be noted that Ong the Singapore applicant never claimed ownership of the marks. (See p. 74 at 1). There were no third parties involved. So also in *Re The Australian Wine Company Ltd.* [1889] 61 LTNS 427 where the true owners of the product were substituted and the pretender removed. In these last two cases the true owners were the plaintiffs, and the defendants were successors in title. The applicant for registration was held to have acted as constructive trustee for the real owners.

Imagic Inc. v. Futuretronics (Aust) Pty. Ltd. [1983] 51 ALR 122 is another such case though not cited by either party.

Here the Australian defendants had persuaded the American plaintiff to allow them to apply on behalf of the American owner for registration of the American mark in Australia. The Court held that it was an implied term of the contract that the defendants would only deal

with the trade mark applications in accordance with the American owner's directions and would not assert any title or interest therein against the American. It was implicit in these arrangements that the trade mark applications would be made and registration effected in the name of the American owners. The defendants however applied for registration in their own name as proprietors; and resisted a claim for a declaration by the Americans that the defendants held the benefit of the applications and any trade marks registered pursuant thereto in trust for the American owners. The Court made the declaration sought even though the application for the marks were still pending when the case was decided.

Viewed from Hai-O's perspective there are two problems. Firstly *vis-a-vis* NC and the Malaysian market. Hai-O in these proceedings have steadfastly maintained from the outset that they are the lawful registered proprietors of the mark in their own right. They submitted that they were trustees for the Chinese only in the event the Court should hold that their claim to ownership failed. I regret to say that this submission is a contradiction in terms which I am not prepared to countenance. Either Hai-O were owners or they were not.

Hai-O initiated these proceedings on the basis that they were the lawful owners of the said mark. They claimed that even if the goods sold by NC are genuine goods from the same Chinese manufacturer there had been an infringement of their mark because they were imported by someone other than an authorised importer.

I was referred to a large number of cases on the subject. Suffice to mention *Colgate Palmolive Ltd. & Anor. v. Markwell Finance Ltd. & Anor.* [1989] RPC 497; *Castrol Ltd. v. Automotive Oil Supplied Ltd.* [1983] RPC 315 and *Atari Inc. v. Dick Smith Electronics Pty. Ltd.* [1980] 33 ALR 20 and the *Revlon Inc. & Ors. v. Cripps & Lee Ltd. & Ors.* [1980] FSR 85.

In each of these cases it was firmly established that the complainant was the lawful registered owner of the mark in the venue where the action was brought. The parallel imports in those cases were held to have infringed the local mark because the goods imported were of inferior quality to those prepared by the official distributor or there had been contractual restrictions prohibiting the export of the goods and its subsequent import, or those prohibitions had been brought to the notice of the parties concerned. The registered owner of the mark in the country of import was also different from the trade mark owner in the country of export. None of these factors apply in our case. The problem of parallel imports *vis-a-vis* Hai-O and NC does not arise because as I have already indicated the said mark was never theirs to be infringed, and in point of fact there was also no possibility of a technical infringement because Hai-O was not selling goods in Class 33.

Had the Chinese been registered in Class 5 the factual position here is, that the goods which NC imported and sold in Malaysia came from the same source. Section 40(1)(d) of the Trade Marks Act 1976 would afford a complete defence to NC because, the trade mark on the goods sold by NC had been applied by the Chinese themselves. In the words of the subsection

> An act does not constitute an infringement of a trade mark:
>
> (d) in relation to goods connected in the course of trade with the registered proprietor, if as to those goods ... the registered proprietor ... has applied the trade mark ...(See *Champagne Hiedsieck* case [1930] 47 RPC 28 and *Winthrop* case [1988] 2 MLJ 317.)

To cure the situation I must not only substitute the Chinese as registered owners of this said mark, I must also amend the classification to one under Class 5 if Hai-O and the Chinese are to escape the consequences of their actions.

Exercise Of Discretion Under ss. 45 and 46

A judicial discretion must of course be exercised judicially. When considering the justice of the case for rectification, the case for Hai-O, to put it at best, is that in ignorance of the law, they made a mistake in claiming that they were the proprietors of this mark and another mistake in registering under Class 33. It may even be said for them that in 1981 we in Malaysia were just beginning to acquire some sophistication in the mysteries of trade mark legislation. These however are matters which only go to mitigation.

The sad fact in this case is that Hai-O shot from the hip. They did not give NC prior notice of their intention to apply for the Trade Description Order. NC suffered damage in this case aggravated by Hai-O's failure to take proper cognisance of NC's desist letter. NC and the others affected have accrued causes of action from the raids which it would not be right for me to extinguish.

As Shahanan says at p. 265:

> ... it might be argued that the party seeking rectification should not be entitled as against third parties to the benefit and the priority of the other party's false claim to proprietorship and that the proper course in such a case is for the Court to order expungement leaving the true claimant to seek registration afresh.

The case for the intervention by the Chinese is further complicated by the fact that the Chinese product marketed by Hai-O states that the manufacturer is China National Medicine & Health Products Import and Export Corp. Shandong Branch (Chinese Entity 6). According to Chin's affidavit (E.15 para. 5) Hai-O's principal are Shandong Medicines & Health Products Import & Export Corporation (Chinese Entity 7) formerly known as Chinese Entity 6. The letters of consent to register the mark in February 1981 ostensibly was given by Chinese Entity No. 1 who is not the party asking to be substituted here. Those consent letters were signed by Chinese Entity No. 2, who is not applying either. The true Chinese owner of the said trade mark is a matter upon which I have not been satisfied. What is clear on the evidence before me is that it cannot be Chinese Entity 7. Even if there were evidence to the contrary they have misrepresented the facts to this Court in denying that the same product was sold to Kwong Ming.

Conclusion

In all the circumstances of the case I now make the following orders in terms of prayers 2, 3, 4 and 5 of the respondent's application *viz*:

> 2. Suatu Perintah bahawa Perintah Perihal Dagangan yang diperolehi oleh Perintah Mahkamah pada 8 Ogos 1990 itu diketepikan.
>
> [An Order that the Trade Description Order made by this Court on 8 August 1990 be and is hereby set aside.]
>
> 3. Suatu Perintah bahawa Perintah Perihal Dagangan tersebut dihapuskan dan dipangkah daripada Perintah-perintah Perihal Dagangan Pendaftar yang ditetapkan wujud di bawah Seksyen 16(4) Akta Perihal Dagangan 1972.
>
> [An order that the said Trade Description Order be quashed and removed from the Register of Trade Description Orders as provided by s. 16(4) of the Trade Description Act 1972.]
>
> 4. Suatu Perintah bahawa Cap Dagangan Pemohon dihapuskan dan dipotong daripada Buku Daftar Cap Dagangan yang ditetapkan dan wujud di bawah Akta Perihal Dagangan 1976.
>
> [An Order that the applicant's Trade Mark be expunged and deleted from the Register of Trade Marks as provided by the Trade Marks Act 1976.]

5. Gantirugi ditaksirkan oleh Penolong Kanan Pendaftar.

[Damages to be assessed by the Senior Assistant Registrar.]

I make a further order that the respondent's damages as assessed by the Senior Assistant Registrar and the respondent's costs as taxed by the Senior Assistant Registrar be paid by Hai-O to the respondent. The application for substitution by Shandong Medicines & Health Products Import and Export Corporation is dismissed and the costs arising out of and incidental to this application will also be taxed and paid by them to the respondent.

Finally I give the respondent liberty to apply for any further directions required to give effect to this order.

Also found at [1992] 4 CLJ 1985